

CITY OF PLYMOUTH
Wayne County, Michigan

AUDITED FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2004

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

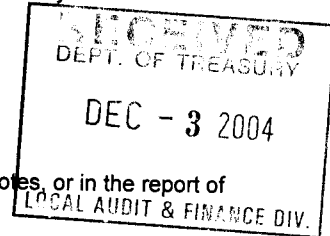
Local Government Type <input checked="" type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name City of Plymouth	County Wayne
Audit Date 6/30/04	Opinion Date 11/10/04	Date Accountant Report Submitted to State: 12/2/04	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations



You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☒ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Post, Smythe, Lutz and Ziel, LLP			
Street Address 1034 West Ann Arbor Trail		City Plymouth	State MI
Accountant Signature <i>David R. Willens, CPA</i>		ZIP 48170	Date 12/2/04

CITY OF PLYMOUTH
For the Year Ended June 30, 2004

Table of Contents

INTRODUCTORY SECTION

Table of Contents

FINANCIAL SECTION

	<u>Page</u>
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-11
Basic Financial Statements:	
Government Wide Financial Statements:	
Statement of Net Assets	12
Statement of Activities	13-14
Fund Financial Statements:	
Balance Sheet – Governmental Funds	15
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.....	16
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	17
Balance Sheet – Proprietary Funds	18
Statement of Revenues, Expenses, and Changes In Fund Equity – Proprietary Funds	19
Statement of Cash Flows – Proprietary Funds	20
Statement of Fiduciary Net Assets	21
Notes to Financial Statements	22-51

CITY OF PLYMOUTH
For the Year Ended June 30, 2004

Table of Contents

	<u>Page</u>
Required Supplementary Information:	
Defined Benefit Pension Plans - Trend Information	52
Combining and Individual Fund Statements and Schedules:	
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual – General Fund	53
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual – Recreation Fund	54
Combining Balance Sheet – Nonmajor Governmental Funds	55
Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Nonmajor Governmental Funds	56
Combining Balance Sheet – Nonmajor Special Revenue Funds	57-58
Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Nonmajor Special Revenue Funds	59-60
Combining Balance Sheet – Nonmajor Debt Service Funds	61-62
Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Nonmajor Debt Service Funds	63-64
Combining Balance Sheet – Nonmajor Capital Project Funds	65
Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Nonmajor Capital Project Funds	66

FINANCIAL SECTION

POST, SMYTHE, LUTZ AND ZIEL LLP

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Independent Auditor's Report

November 10, 2004

To the Honorable Mayor and
Members of the City Commission
City of Plymouth, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Plymouth, Michigan as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Plymouth's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Plymouth as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Honorable Mayor and Members of the
City Commission
City of Plymouth, Michigan

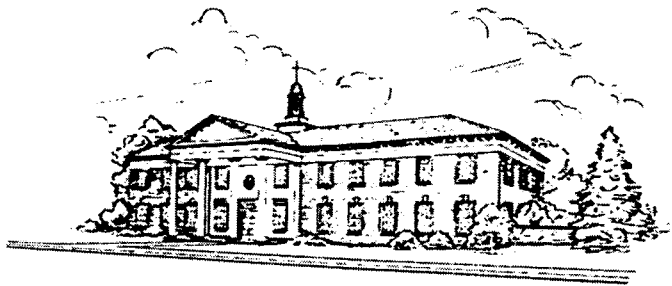
The management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Plymouth's basic financial statements. The accompanying required supplementary information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The required supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Respectfully,



POST, SMYTHE, LUTZ and ZIEL LLP
Certified Public Accountants



City of Plymouth

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Management's Discussion and Analysis

As management of the City of Plymouth, we offer readers of the City of Plymouth's financial statements this narrative overview and analysis of the financial activities of the City of Plymouth for the fiscal year ended June 30, 2004.

Financial Highlights

- The assets of the City of Plymouth exceeded its liabilities at the close of the most recent fiscal year by \$13,441,319 (*net assets*). Of this amount, \$3,385,097 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the City of Plymouth's governmental funds reported combined ending fund balances of \$4,974,023 an increase of \$2,298,669 in comparison with the prior year. Approximately 31% of this total amount, \$1,565,122 is *available for spending* at the government's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$312,111, or 5.17 percent of total general fund expenditures.
- The City of Plymouth's total long-term debt increased by \$1,887,272 (15.13 percent) during the current fiscal year. The key factor in this increase is the issuance of \$910,000 in limited tax general obligation bonds in September, 2003 and an additional sale of \$4,300,000 of unlimited tax general obligation bonds in 2004 to support the continuing road and utility improvement program.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of Plymouth's basic financial statements. The City of Plymouth's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Plymouth's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City of Plymouth's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Plymouth is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Plymouth that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Plymouth include general government, public safety, highways and streets, sanitation, and culture and recreation. The business-type activities of the City of Plymouth include a water and sewer system.

The government-wide financial statements include not only the City of Plymouth itself (known as the *primary government*), but also a legally separate Downtown Development Authority, and other "non major" component units for which the City of Plymouth is financially accountable. Financial information for these *component units* are reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 12-14 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Plymouth, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Plymouth can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of Plymouth maintains twenty three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Recreation Fund, 2004 G.O. Capital Project Fund, and the Motor Vehicle Highway Capital Projects Fund which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City of Plymouth adopts an annual appropriated budget for its general fund and special revenue funds. A budgetary comparison statement has been provided for the general fund and other major funds to demonstrate compliance with this budget.

Proprietary funds. The City of Plymouth maintains a single proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Plymouth uses an enterprise fund to account for its water and sewer activity.

Internal service funds are an accounting device used to accumulate and allocate costs internally among the City of Plymouth's various functions. The City of Plymouth uses an internal service fund to account for its fleet of vehicles, and other equipment. Because both of these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the City of Plymouth's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on page 21 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 22-51 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City of Plymouth's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on page 52 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 53-66 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Plymouth, assets exceeded liabilities by \$13,441,319 at the close of the most recent fiscal year.

By far the largest portion of the City of Plymouth's net assets (45.5 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The City of Plymouth used these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Plymouth's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Plymouth's Net Assets

	Governmental		Business-type		Total	
	2004	2003	2004	2003	2004	2003
Current and Other Assets	\$ 6,449,682	\$ 3,790,621	\$ 2,253,721	\$ 1,675,955	\$ 8,703,403	\$ 5,466,576
Capital Assets	13,931,443	13,418,351	6,292,169	6,007,358	20,223,612	19,425,709
Total Assets	20,381,125	17,208,972	8,545,890	7,683,313	28,927,015	24,892,285
Long-term Liabilities	9,650,447	7,849,965	3,260,000	3,124,845	12,910,447	10,974,810
Other Liabilities	2,127,920	2,149,765	447,329	460,385	2,575,249	2,610,150
Total Liabilities	11,778,367	9,999,730	3,707,329	3,585,230	15,485,696	13,584,960
Net Assets:						
Invested in Capital Assets						
net of related debt	3,217,053	4,492,660	2,892,169	2,757,779	6,109,222	7,250,439
Restricted	3,408,901	1,204,460	538,099	540,367	3,947,000	1,744,827
Unrestricted	1,976,804	1,512,122	1,408,293	799,937	3,385,097	2,312,059
Total Net Assets	\$ 8,602,758	\$ 7,209,242	\$ 4,838,561	\$ 4,098,083	\$ 13,441,319	\$ 11,307,325

An additional portion of the City of Plymouth's net assets (29.4 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$3,385,097) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Plymouth is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

The government's net assets increased by \$2,133,994 during the current fiscal year as discussed below.

	Governmental Activities		Business Activities		Total	
	2004	2003	2004	2003	2004	2003
Program Revenues:						
Charges for Services	\$ 3,111,882	\$ 3,067,761	\$ 3,419,461	\$ 3,187,916	\$ 6,531,343	\$ 6,255,677
Operating Grants & Contributions	682,137	622,005	-	-	682,137	622,005
Capital Grants & Contributions	73,849	294,167	-	-	73,849	294,167
General Revenues:						
Property Taxes	6,312,815	5,811,878	-	-	6,312,815	5,811,878
State Shared Revenues	896,442	978,335	-	-	896,442	978,335
Unrestricted Investment Earnings	42,524	90,815	15,678	7,261	58,202	98,076
Other	20,014	21,370	(23,030)	(21,370)	(3,016)	-
Total Revenues	11,139,663	10,886,331	3,412,109	3,173,807	14,551,772	14,060,138
Program Expenses						
General Government	1,908,995	2,022,068	-	-	1,908,995	2,022,068
Public Safety	3,398,620	3,437,604	-	-	3,398,620	3,437,604
Public Works	2,316,223	2,169,277	-	-	2,316,223	2,169,277
Recreation, Culture, Health & Welfare	1,332,863	1,449,177	-	-	1,332,863	1,449,177
Other	382,094	349,398	-	-	382,094	349,398
Interest on Long-Term Debt	407,352	441,016	-	-	407,352	441,016
Water and Sewer	-	-	2,671,631	2,818,831	2,671,631	2,818,831
Total Expenses	9,746,147	9,868,540	2,671,631	2,818,831	12,417,778	12,687,371
Change in Net Assets	\$ 1,393,516	\$ 1,017,791	\$ 740,478	\$ 354,976	\$ 2,133,994	\$ 1,372,767

Governmental activities. Governmental activities increased the City of Plymouth's net assets by \$1,393,516, thereby accounting for 65.3 percent of the total growth in the net assets of the City of Plymouth. Key elements of this increase are as follows:

- Principal repayments on certain general obligation indebtedness were financed by voter approved tax levies. The principal reduction (\$865,000) did not result in an "expenditure" on the government wide statements, while the related property tax revenues were included as "general revenues" in the government wide "statement of activities".

- As a result of continuing Headlee millage rollbacks and declining state shared revenues, the city has been forced to reduce staffing and general levels of expenditures affecting all operating funds. Program expenses were contained to levels below those of 2003 and significantly lower than originally budgeted for the 2003-04 fiscal year.

For the most part, increases in expenses closely paralleled inflation and growth in the demand for services. One noteworthy exception, however, relates to health care costs for full-time and retired employees. These costs have continued to escalate at an approximate annual rate of 11.3 percent. The city's administration is currently engaged in the process of negotiating health care cost containment measures with each of its represented and non-represented employee groups.

Business-type activities. Business-type activities increased the City of Plymouth's net assets by \$740,478, accounting for 34.7 percent of the total growth in the government's net assets. Key elements of this increase are related to policies of the City Commission to address low levels of cash reserves in the city's water and sewer operating fund. This situation was created, in part, by the extensive capital replacement program begun in 1995 and continued with the creation of the street improvement program in 1997. Much of the financing for street-related utility improvements has come from direct funding out of existing reserves of the water and sewer system. For the past three years, the City Commission has addressed the problem of cash reserves by building a rate structure designed to increase these reserves. During fiscal year 2003-04 a combination of strong consumption and reduced expenditures resulting from fewer utility line failures has resulted in a significant increase in net business-type assets.

Financial Analysis of the Government's Funds

As noted earlier, the City of Plymouth used fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City of Plymouth's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City of Plymouth's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Plymouth's governmental funds reported combined ending fund balances of \$4,974,023, an increase of \$2,298,669 in comparison with the prior year. Approximately 31% of this total amount (\$1,565,122) constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed 1) to pay debt service (\$78,071), 2) to generate income to pay for the perpetual care of the municipal cemetery (\$395,753) or 3) for a variety of other restricted purposes (\$2,935,077).

The general fund is the chief operating fund of the City of Plymouth. At the end of the current fiscal year, unreserved fund balance of the general fund and the total fund balance was \$312,111. Unreserved fund balance represents only 5.17 percent of total general fund expenditures.

The fund balance of the City of Plymouth's general fund increased by \$203,703 during the current fiscal year. This increase was the result of continuing efforts to contain operational expenses in anticipation of severe budgetary cuts impacting the fiscal year 2004-05 budget as a result of declining revenue streams. The city's full time staffing was reduced from 59 employees to 48 as of the end of the 2003-04 fiscal year. Early departure of many of these employees resulted in reduced levels of expenditures for the remainder of the fiscal year.

In addition, tax revenues for the city were higher than originally anticipated due to the valuation placed on the city's largest personal property taxpayer. This increase affects only the 2003-04 fiscal year in that future valuations for this property will be based on revised state valuation schedules resulting in lower overall property tax revenues.

The net effect of the one-time property tax revenue boost and reduced general levels of expenditures are the primary contributors to the increase of \$203,703 in fund balance for the general fund during the fiscal year.

Proprietary funds. The City of Plymouth's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Water and Sewer Fund at the end of the year amounted to \$1,408,293. The total growth in net assets was \$740,478. Other factors concerning the finances of the fund have already been addressed in the discussion of the City of Plymouth's business-type activities.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget amounted to an increase in appropriations of \$347,260. Generally, a match existed in spending patterns in the General Fund when compared with original budget estimates. The notable exceptions, however, related to Public Works activities and interfund transfers. Reductions in operating costs related to water and sewer operations caused a reallocation of wage and fringe expenses for the municipal services department employees to the General Fund. This resulted in increased budgetary amendments totaling \$211,200. Interfund transfers from the General Fund to the Local Street Fund, the Recreation Fund and the Neighborhood Services Fund to subsidize operations in those funds also resulted in significantly increased budget amendments. The net effect of these increases combined with other revenue and expenditure adjustments resulted in the budgetary changes totaling \$247,260.

Capital Asset and Debt Administration

Capital assets. The City of Plymouth's investment in capital assets for its governmental and business type activities as of June 30, 2004, amounts to \$20,223,612 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, park facilities, roads and highways. The total increase in the City of Plymouth's investment in capital assets for the current fiscal year was 4.1 percent (a 4 percent increase for governmental activities and a 4.8 percent increase for business-type activities).

Major capital asset events during the current fiscal year included the following:

• 2003 Street Improvements McKinley, Evergreen, Elm, Woodland Place And Linden	\$ 711,807
• 2003 Railroad Crossing Improvements York Street and Sheldon Road	68,049
• 2004 Street Improvements - Ross Street	168,547
• 2003 and 2004 Street Improvements Utility Portions	452,210
• Penniman Avenue Parking Lot Improvements	59,582
• Kellogg Park Public Restrooms	83,662

Details to the City's capital assets are contained in the notes to the financial statements on pages 34-35.

Long-term debt. At the end of the current fiscal year, the City of Plymouth had total bonded and installment debt outstanding of \$14,114,390. Of this amount, \$11,624,390 comprises debt backed by the full faith and credit of the government and \$2,490,000 represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

Additional information on the City of Plymouth's long-term debt can be found in notes IV.D. and IV.E. on pages 38-46.

Economic Factors and Next Year's Budgets and Rates

The unemployment rate is still high in the State of Michigan and the State's shortfall in the budget means further reductions in state shared revenues. State shared revenues are expected to decrease again in the 2004-2005 fiscal year. The City of Plymouth budgeted for a decrease in state shared revenue, but additional cuts have already been made on two occasions totaling approximately \$180,567, or \$49,308 in excess of the estimated reduction included in the budget. Due to the severity of the state's fiscal crisis, additional cuts are possible before the end of the 2004-05 fiscal year. The City of Plymouth's millage rate remained stable for 2004 after five consecutive years of reductions as a result of the Headlee amendment. These factors were considered in preparing the City of Plymouth's budget for the 2004-05 fiscal year as well as projections through the 2008-09 fiscal year.

During the current fiscal year, unreserved fund balance in the general fund increased to \$312,111. The City of Plymouth has presented a balanced budget in the 2004-05 fiscal year budget as there was no anticipated unreserved fund balance to appropriate.

The Water and Sewer Fund rates were increased for the 2005 budget year. The water and sewer rates were increased by an average of 10.6 percent for all customers. These rate increases were necessary to finance increases in operational costs from the City of Detroit and Wayne County as well as the debt service and direct capital costs of the on-going water and sewer system improvements.

Requests for Information

This financial report is designed to provide a general overview of the City of Plymouth's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Finance Director, 102 N. Main Street, City of Plymouth, Plymouth, Michigan 48170.

BASIC FINANCIAL STATEMENTS

CITY OF PLYMOUTH
Statement of Net Assets
June 30, 2004

	Primary Government			
	Governmental	Business-type		Component
	Activities	Activities	Total	Units
ASSETS				
Cash and Cash Equivalents	\$ 5,546,237	\$ 139,269	\$ 5,685,506	\$ 252,401
Receivables (net of allowance for uncollectibles)	391,316	912,853	1,304,169	100,521
Internal Balances	46,501	-	46,501	-
Due from Component Units	3,000	-	3,000	-
Due from Primary Government	-	-	-	10,824
Due from Other Governmental Units	290,109	-	290,109	-
Other	54,724	-	54,724	-
Inventory	115,344	92,841	208,185	-
Prepaid Expenditures	2,451	250	2,701	250
Restricted Assets - Cash and Cash Equivalents	-	1,010,501	1,010,501	-
Capital Assets (Net of Accumulated Depreciation)	13,931,443	6,292,169	20,223,612	3,336,566
Intangible Assets	-	98,007	98,007	-
Total Assets	20,381,125	8,545,890	28,927,015	3,700,562
LIABILITIES				
Accounts Payable	518,324	250,099	768,423	97,893
Accrued Liabilities	270,937	57,230	328,167	1,720
Internal Balances	15,279	-	15,279	-
Due to Primary Government	-	-	-	3,000
Due to Component Unit	10,824	-	10,824	-
Deferred Revenue	-	-	-	87,455
Noncurrent Liabilities:				
Due within one year	1,312,864	140,000	1,452,864	200,000
Due in more than one year	9,650,139	3,260,000	12,910,139	950,000
Total Liabilities	11,778,367	3,707,329	15,485,696	1,340,068
NET ASSETS				
Invested in Capital Assets, net of related debt	3,217,053	2,892,169	6,109,222	2,186,566
Restricted for:				
Capital Projects	2,935,077	-	2,935,077	-
Debt Service	78,071	538,099	616,170	22,595
Other	395,753	-	395,753	-
Unrestricted (Deficit)	1,976,804	1,408,293	3,385,097	151,333
Total Net Assets	\$ 8,602,758	\$ 4,838,561	\$ 13,441,319	\$ 2,360,494

CITY OF PLYMOUTH
Statement of Activities
For the Year Ended June 30, 2004

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 1,908,995	\$ 1,388,463	\$ 119,379	\$ -
Public Safety	3,398,620	572,726	36,849	-
Public Works	2,316,223	228,332	525,909	66,124
Recreation and Cultural	1,332,863	922,361	-	7,725
Other	382,094	-	-	-
Interest on Long-Term Debt	407,352	-	-	-
Total Governmental Activities	<u>9,746,147</u>	<u>3,111,882</u>	<u>682,137</u>	<u>73,849</u>
Business-type Activities:				
Water and Sewer	<u>2,671,631</u>	<u>3,419,461</u>	-	-
Total Business-type Activities	<u>2,671,631</u>	<u>3,419,461</u>	-	-
Total Primary Government	\$ <u><u>12,417,778</u></u>	\$ <u><u>6,531,343</u></u>	\$ <u><u>682,137</u></u>	\$ <u><u>73,849</u></u>
Component Unit:				
Downtown Development Authority	\$ <u><u>835,396</u></u>	\$ <u><u>99,418</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>

General Revenues:
Property Taxes
State Shared Revenues
Unrestricted Investment Earnings
Loss on Debt Refunding, net
Transfers
Total General Revenues and Transfers

Change in Net Assets
Net Assets - Beginning

Net Assets - Ending

Net (Expense) Revenue and Changes in Net Assets

Primary Government

Governmental Activities	Business-type Activities	Total	Component Unit
\$ (401,153)	\$ -	\$ (401,153)	\$ -
(2,789,045)	-	(2,789,045)	-
(1,495,858)	-	(1,495,858)	-
(402,777)	-	(402,777)	-
(382,094)	-	(382,094)	-
(407,352)	-	(407,352)	-
<u>(5,878,279)</u>	<u>-</u>	<u>(5,878,279)</u>	<u>-</u>
-	747,830	747,830	-
-	747,830	747,830	-
<u>(5,878,279)</u>	<u>747,830</u>	<u>(5,130,449)</u>	<u>-</u>
-	-	-	(735,978)
6,312,815	-	6,312,815	884,648
896,442	-	896,442	-
42,524	15,678	58,202	2,886
(3,016)	-	(3,016)	-
23,030	(23,030)	-	-
<u>7,271,795</u>	<u>(7,352)</u>	<u>7,264,443</u>	<u>887,534</u>
1,393,516	740,478	2,133,994	151,556
<u>7,209,242</u>	<u>4,098,083</u>	<u>11,307,325</u>	<u>2,208,938</u>
\$ <u>8,602,758</u>	\$ <u>4,838,561</u>	\$ <u>13,441,319</u>	\$ <u>2,360,494</u>

CITY OF PLYMOUTH

Balance Sheet

Governmental Funds

June 30, 2004

	General	Recreation Fund	2004 G.O. Capital Project Fund	Motor Vehicle Highway Capital Project Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and Cash Equivalents	\$ 122,749	\$ 43,070	\$ 2,433,487	\$ 556,151	\$ 1,763,246	\$ 4,918,703
Receivables (net of allowance for uncollectibles):						
Taxes	225,006	-	-	-	-	225,006
Accounts	105,060	48,093	-	-	13,157	166,310
Due from Other Funds	117,120	-	-	15,000	67,381	199,501
Due from Component Unit	3,000	-	-	-	-	3,000
Due from Other Governmental Units	192,295	-	-	-	97,814	290,109
Other	-	-	-	-	54,724	54,724
Inventory	12,667	3,334	-	-	52,347	68,348
Prepaid Expenditures	2,059	-	-	-	392	2,451
Total Assets	\$ 779,956	\$ 94,497	\$ 2,433,487	\$ 571,151	\$ 2,049,061	\$ 5,928,152

LIABILITIES AND FUND BALANCE

Liabilities:

Accounts Payable	\$ 165,359	\$ 32,835	\$ 100,693	\$ 9,181	\$ 201,575	\$ 509,643
Accrued and Other Liabilities	265,383	-	-	-	-	265,383
Due to Other Funds	26,279	60,000	-	56,381	25,619	168,279
Due to Component Unit	10,824	-	-	-	-	10,824
Total Liabilities	467,845	92,835	100,693	65,562	227,194	954,129

Fund Balances:

Reserved for:

Capital Projects	-	-	2,332,794	505,589	96,694	2,935,077
Debt Service	-	-	-	-	78,071	78,071
Other	-	-	-	-	395,753	395,753

Unreserved for:

General Fund	312,111	-	-	-	-	312,111
Special Revenue Funds	-	1,662	-	-	1,251,349	1,253,011
Total Fund Balances	312,111	1,662	2,332,794	505,589	1,821,867	4,974,023

Total Liabilities and Fund Balances	\$ 779,956	\$ 94,497	\$ 2,433,487	\$ 571,151	\$ 2,049,061	
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Amounts reported for governmental activities in the statement of net assets are difference because:

Capital Assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	12,933,842
Internal Service Funds are used by management to charge the costs of motor pool to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	1,413,231
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(10,718,338)

Net Assets of Governmental Activities	\$ 8,602,758
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CITY OF PLYMOUTH
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2004

	General	Recreation Fund	2004 G.O. Capital Project Fund	Motor Vehicle Highway Capital Project Fund	Other Governmental Funds	Total Governmental Funds
Revenues						
Property Taxes	\$ 4,413,046	\$ 242,014	\$ -	\$ -	\$ 1,657,755	\$ 6,312,815
Licenses and Permits	2,412	-	-	-	307,356	309,768
Intergovernmental:						
Federal, State and Local	921,306	7,725	-	-	619,813	1,548,844
Charges for Services	690,324	922,361	-	-	268,097	1,880,782
Fines and Forfeitures	94,156	-	-	-	-	94,156
Interest and Rent	22,743	-	1,035	5,062	435,909	464,749
Other	423,511	-	-	15,000	70,024	508,535
Total Revenues	<u>6,567,498</u>	<u>1,172,100</u>	<u>1,035</u>	<u>20,062</u>	<u>3,358,954</u>	<u>11,119,649</u>
Expenditures						
Current:						
General Government	1,894,004	-	-	-	8	1,894,012
Public Safety	3,047,863	-	-	-	346,100	3,393,963
Public Works	551,010	-	-	-	1,631,525	2,182,535
Recreation and Cultural	69,644	1,182,196	-	-	20,677	1,272,517
Other	382,094	-	-	-	-	382,094
Debt Service:						
Principal	-	-	-	-	1,268,233	1,268,233
Interest and Other Charges	-	-	-	-	407,352	407,352
Capital Outlay	98,099	17,433	168,547	68,049	197,762	549,890
Total Expenditures	<u>6,042,714</u>	<u>1,199,629</u>	<u>168,547</u>	<u>68,049</u>	<u>3,871,657</u>	<u>11,350,596</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>524,784</u>	<u>(27,529)</u>	<u>(167,512)</u>	<u>(47,987)</u>	<u>(512,703)</u>	<u>(230,947)</u>
Other Financing Sources (Uses)						
Transfers In	3,126	148,597	-	60,000	537,661	749,384
Transfers Out	(324,207)	(9,420)	-	(42,571)	(343,876)	(720,074)
Proceeds of Long Term Debt	-	-	4,323,909	-	-	4,323,909
Payment to Refunded Debt Escrow Agent	-	-	(1,823,603)	-	-	(1,823,603)
Total Other Financing Sources and Uses	<u>(321,081)</u>	<u>139,177</u>	<u>2,500,306</u>	<u>17,429</u>	<u>193,785</u>	<u>2,529,616</u>
Net Change in Fund Balances	203,703	111,648	2,332,794	(30,558)	(318,918)	2,298,669
Fund Balances - Beginning	108,408	(109,986)	-	536,147	2,140,785	2,675,354
Fund Balances - Ending	\$ <u>312,111</u>	\$ <u>1,662</u>	\$ <u>2,332,794</u>	\$ <u>505,589</u>	\$ <u>1,821,867</u>	\$ <u>4,974,023</u>

CITY OF PLYMOUTH
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2004

Amounts reported for governmental activities in the statement of activities (page 14) are different because:

Net change in fund balances - total governmental funds (page 16)	\$ 2,298,669
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	693,835
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(1,844,498)
Internal service funds are used by management to charge the costs of fleet management and management information systems to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities.	<u>245,510</u>
Change in net assets in governmental activities (page 14)	\$ <u><u>1,393,516</u></u>

CITY OF PLYMOUTH**Balance Sheet****Proprietary Funds****June 30, 2004**

	Business Type Activity Enterprise Fund	Governmental Activities - Internal Service
	Water & Sewer	Equipment Fund
<u>ASSETS</u>		
Current Assets:		
Cash and Cash Equivalents	\$ 139,269	\$ 627,534
Accounts Receivable	912,853	-
Inventory	92,841	46,996
Prepaid Expense	250	-
Total Current Assets	<u>1,145,213</u>	<u>674,530</u>
Restricted Assets:		
Cash and Cash Equivalents:		
Debt Retirement	538,099	-
Construction	472,402	-
Total Restricted Assets	<u>1,010,501</u>	<u>-</u>
Property, Plant and Equipment:		
Water and Sewer Infrastructure	9,468,879	-
Machinery, Equipment and Vehicles	292,334	3,465,081
Accumulated Depreciation	<u>(3,469,044)</u>	<u>(2,467,480)</u>
Net Property, Plant and Equipment	<u>6,292,169</u>	<u>997,601</u>
Intangible Assets	<u>98,007</u>	<u>-</u>
Total Assets	<u>\$ 8,545,890</u>	<u>\$ 1,672,131</u>
<u>LIABILITIES AND EQUITY</u>		
Current Liabilities:		
Accounts Payable	\$ 250,099	\$ 8,681
Accrued Liabilities	57,230	5,554
Notes Payable	-	110,506
Bonds Payable	140,000	-
Total Current Liabilities	<u>447,329</u>	<u>124,741</u>
Long-Term Liabilities:		
Notes Payable	-	134,159
Bonds Payable	3,260,000	-
Total Long-Term Liabilities	<u>3,260,000</u>	<u>134,159</u>
Equity:		
Invested in Capital Assets, Net of Related Debt	2,892,169	752,936
Restricted	538,099	-
Unrestricted	1,408,293	660,295
Total Equity	<u>4,838,561</u>	<u>1,413,231</u>
Total Liabilities and Equity	<u>\$ 8,545,890</u>	<u>\$ 1,672,131</u>

CITY OF PLYMOUTH
Statement of Revenues, Expenses and Changes in Fund Equity
Proprietary Funds
For the Year Ended June 30, 2004

	Business Type Activity Enterprise Fund	Governmental Activities - Internal Service
	Water & Sewer	Equipment Fund
<u>Operating Revenues:</u>		
Charges for Services	\$ 3,360,701	\$ 17,230
Rental Income	-	946,695
Miscellaneous	10,910	-
Total Operating Revenues	<u>3,371,611</u>	<u>963,925</u>
<u>Operating Expenses:</u>		
Personal Services, Other and Administrative	404,254	447,455
Trunk and Lateral	217,231	-
Mains	185,155	-
Service Maintenance and Repairs	41,858	-
Sewage Disposal Charges	739,039	-
Purchased Water	521,532	-
Meter Maintenance	136,568	-
Hydrant Maintenance	20,420	-
Depreciation and Amortization	250,381	259,144
Total Operating Expenses	<u>2,516,438</u>	<u>706,599</u>
Operating Income	<u>855,173</u>	<u>257,326</u>
<u>Non-Operating Revenues (Expenses):</u>		
Gain on Asset Sales	-	2,674
Interest Earned	15,678	2,031
Interest Expense	(155,193)	(10,241)
Total Non-Operating Revenues (Expenses)	<u>(139,515)</u>	<u>(5,536)</u>
Income before Operating Transfers	715,658	251,790
<u>Operating Transfers:</u>		
Operating Transfers Out	<u>(23,030)</u>	<u>(6,280)</u>
Net Income (Loss)	692,628	245,510
Capital Contributions	47,850	-
Fund Equity, Beginning	<u>4,098,083</u>	<u>1,167,721</u>
Fund Equity, Ending	<u>\$ 4,838,561</u>	<u>\$ 1,413,231</u>

CITY OF PLYMOUTH
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2004

	Business Type Activity Enterprise Fund	Governmental Activities - Internal Service
	Water & Sewer	Equipment Fund
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Receipts from customers and users	\$ 3,341,931	\$ 17,230
Receipts from quasi-external transactions	-	1,171,695
Payments to suppliers	(1,890,125)	(255,750)
Payments to employees	(404,254)	(190,517)
Net Cash Provided by Operating Activities	<u>1,047,552</u>	<u>742,658</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>		
Transfer to other funds	<u>(23,030)</u>	<u>(6,280)</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>		
Proceeds from Debt	910,000	-
Capital Contributions	47,850	-
Purchases of Capital Assets	(526,693)	(80,101)
Principal Paid on Capital Debt	(759,579)	(107,647)
Interest Paid on Capital Debt	(155,193)	(10,241)
Proceeds from Sales of Capital Assets	-	4,374
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(483,615)</u>	<u>(193,615)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Interest Earned	<u>15,678</u>	<u>2,031</u>
Net Increase (Decrease) in Cash and Cash Equivalents	556,585	544,794
Cash and Cash Equivalents, Beginning	<u>593,185</u>	<u>82,740</u>
Cash and Cash Equivalents, Ending	<u>\$ 1,149,770</u>	<u>\$ 627,534</u>
<u>Balance Sheet Classifications:</u>		
Cash and Cash Equivalents	\$ 139,269	\$ 627,534
Restricted Assets - Cash and Cash Equivalents	<u>1,010,501</u>	<u>-</u>
Total	<u>\$ 1,149,770</u>	<u>\$ 627,534</u>
<u>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</u>		
Operating Income	\$ 855,173	\$ 257,326
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:		
Depreciation Expense	250,381	259,144
(Increase) Decrease in Receivables	(29,680)	-
(Increase) Decrease in Due from Other Funds	-	225,000
(Increase) Decrease in Inventory	-	7,608
Increase (Decrease) in Accounts Payable	(26,167)	(3,002)
Increase (Decrease) in Accrued Liabilities	(2,155)	(3,418)
Net Cash Provided by Operating Activities	<u>\$ 1,047,552</u>	<u>\$ 742,658</u>

CITY OF PLYMOUTH
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2004

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 134,123
Due from Other Governmental Units	54,508
Due from Other Funds	<u>15,279</u>
Total Assets	<u>203,910</u>
 <u>LIABILITIES</u>	
Due to Other Funds	46,501
Due to Other	<u>157,409</u>
Total Liabilities	<u>203,910</u>
 <u>NET ASSETS</u>	 \$ <u><u>-</u></u>

CITY OF PLYMOUTH
Notes to Financial Statements
June 30, 2004

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Plymouth was incorporated March 14, 1932, under the provisions of Act 279, P.A. 1909, as amended (Home Rule City Act). The City operates under a Commission-Manager form of government and provides the following services as authorized by its charter: public safety (police, fire, and inspection), highways and streets, sanitation, community development, culture-recreation, public improvements, planning and zoning, water and sewerage system, and general administrative services. It also operates a municipal cemetery.

As required by generally accepted accounting principles, these financial statements present the City of Plymouth and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the City's operations and so data from these units is combined with data of the primary government. The discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the government. Each blended and discretely presented component unit has a June 30, 2004 year end.

Blended Component Units

The City of Plymouth Municipal Building Authority is governed by a five (5) member Board appointed by the Mayor with City Commission approval. Although it is legally separate from the City, the Building Authority is reported as if it were part of the primary government because its sole purpose is to finance and construct the City's public buildings and parking structures.

Discretely Presented Component Units

The City of Plymouth Downtown Development Authority (DDA) Board is comprised of up to twelve (12) members appointed by the Mayor with City Commission approval. The DDA is responsible for the creation of a development and financing plan for the downtown district or a development area within the district to promote economic growth. The Authority must obtain City Commission approval of all development and financing plans. The annual operating budget and any modifications also require the approval of the Plymouth City Commission.

The City of Plymouth Economic Development Corporation (EDC) is governed by a nine (9) member board appointed by the Mayor with City Commission approval. The EDC was established to promote economic development within the City.

CITY OF PLYMOUTH
Notes to Financial Statements
June 30, 2004

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

A. Reporting Entity - Continued

Discretely Presented Component Units – Continued

The City of Plymouth Brownfield Redevelopment Authority (BRA) is comprised of a six (6) member board appointed by the Mayor with City Commission approval. The BRA was established to promote the revitalization of environmentally distressed areas of the City.

The above component units are discretely presented within the City financial statements because they are legally separate and financially accountable to the City. Financial accountability is demonstrated by the City Commission making the appointments to the respective boards, approving the annual operating budgets and any amendments of each component unit and approving development and financing plans of the EDC and DDA. Separate financial statements for these component units have not been prepared. (Condensed financial information represented below.)

STATEMENT OF NET ASSETS - COMPONENT UNITS

	Downtown Development Authority	Other Governmental Funds	Total Component Units
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 252,289	\$ 112	\$ 252,401
Accounts Receivable	245	3,697	3,942
Receivables - Special Assessments	96,579	-	96,579
Due from Primary Government	-	10,824	10,824
Prepaid Expenses	250	-	250
Capital Assets (net of accumulated depreciation)	3,336,566	-	3,336,566
Total Assets	<u>3,685,929</u>	<u>14,633</u>	<u>3,700,562</u>
<u>LIABILITIES</u>			
Accounts Payable	97,893	-	97,893
Accrued Liabilities	1,720	-	1,720
Due to Primary Government	-	3,000	3,000
Deferred Revenue	87,455	-	87,455
Noncurrent Liabilities:			
Due within one year	200,000	-	200,000
Due in more than one year	950,000	-	950,000
Total Liabilities	<u>1,337,068</u>	<u>3,000</u>	<u>1,340,068</u>
<u>NET ASSETS</u>			
Invested in Capital Assets, net of related debt	2,186,566	-	2,186,566
Reserved for Debt Service	22,595	-	22,595
Unrestricted	139,700	11,633	151,333
Total Net Assets	<u>\$ 2,348,861</u>	<u>\$ 11,633</u>	<u>\$ 2,360,494</u>

CITY OF PLYMOUTH
Notes to Financial Statements
June 30, 2004

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

A. Reporting Entity - Continued

Discretely Presented Component Units – Continued

STATEMENT OF ACTIVITIES - COMPONENT UNITS

	Downtown Development Authority	Other Governmental Funds	Total Component Units
Expenses	\$ (829,329)	\$ (6,067)	\$ (835,396)
Program Revenues	92,550	6,868	99,418
Net Revenues	(736,779)	801	(735,978)
General Revenues:			
Property Taxes	884,648	-	884,648
Unrestricted investment Earnings	2,885	1	2,886
Change in Net Assets	150,754	802	151,556
Net Assets-Beginning	2,198,107	10,831	2,208,938
Net Assets-Ending	\$ 2,348,861	\$ 11,633	\$ 2,360,494

Joint Venture

The City is a participant with the Charter Township of Plymouth in a joint venture to operate the Plymouth Community Fire Department (PCFD), which provides fire services for residents and businesses of both the City and Township. The intergovernmental agreement is considered a joint venture because the City has an ongoing financial interest and ongoing financial responsibility. Upon termination of this agreement, the City will receive an equipment equity interest equal to 25% of the net book value of the PCFD fixed assets at the termination date. The Township is responsible for the administration of the PCFD. By contract the City and the Township share in supporting the PCFD annual operations based on a cost-sharing formula, which is based on a number of factors including population, the average number of fire runs, and state equalized valuation (SEV). The City's annual operating contribution cannot fall below 25%. The City is also obligated to contribute 25% of the annual capital outlay and depreciation reserve expenses.

The City also participates in an intergovernmental service agreement with Plymouth Township for Community services (E911, Police Dispatch). The Township has sole ownership of the assets of the "Plymouth Community Communication Center" established by the agreement.

CITY OF PLYMOUTH
Notes to Financial Statements
June 30, 2004

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

CITY OF PLYMOUTH
Notes to Financial Statements
June 30, 2004

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation – Continued

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

Governmental Funds

The City reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Recreation Fund is a special revenue fund used to account for the recreation program revenues and related expenditures.

The 2004 General Obligation Capital Projects and Motor Vehicle Highway Capital Project Funds are capital project funds used to account for the construction of various street and road improvements financed by the bond issues.

In addition, the City reports on the following fund types:

The special revenue funds account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or capital projects).

The debt service funds account for the resources accumulated and payments made for principal and interest on long-term debt of governmental funds.

The capital project funds are used to account for construction projects and their related revenue sources.

Proprietary Fund

Proprietary funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Proprietary funds include the following fund types:

CITY OF PLYMOUTH
Notes to Financial Statements
June 30, 2004

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation – Continued

Proprietary Fund – Continued

Enterprise Funds are used to account for those operations that are financed and operated in a manner similar to private business or where the City Commission has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. The City's enterprise fund is the Water and Sewer Fund, which is reported as a major fund.

Internal Service Funds account for operations that provide services to other departments or agencies of the City on a cost reimbursement basis. As these services predominantly benefit governmental rather than business-type functions, they have been included within the *governmental* activities in the government-wide financial statements.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

Fiduciary Funds

Fiduciary Funds account for assets held by the government in a trustee capacity or as an agent on behalf of others. Fiduciary funds include the following fund types:

The Agency Funds are used to account for assets that the government holds for others in an agency capacity. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Restricted Resources

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as needed.

CITY OF PLYMOUTH
Notes to Financial Statements
June 30, 2004

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation – Continued

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

D. Assets, Liabilities and Net Assets or Equity

1. Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short term investments with original maturities of three months or less from the date of acquisition. State statutes authorize the City to invest in obligations of the U.S. Treasury, commercial paper of certain investment grades, and deposits of Michigan commercial banks.

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds" (i.e. the current portion of interfund loans) or "advances to/from other funds" (i.e. non-current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of allowances for uncollectible accounts, which are recorded at \$122,831 at June 30, 2004.

3. Inventory

Inventories are valued at cost using the first-in/first out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

CITY OF PLYMOUTH
Notes to Financial Statements
June 30, 2004

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

D. Assets, Liabilities and Net Assets or Equity-Continued

4. Restricted Assets

Resources for the debt service activity within the Water and Sewer Fund (Enterprise Fund) are segregated and classified as "Restricted Assets". Restricted assets total \$1,010,501 at June 30, 2004. The amounts are restricted for debt service (\$538,099), and unspent bond proceeds, (\$472,402).

5. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of capitalized value of the assets constructed.

Property, plant and equipment of the primary government, as well as the component units, are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	15-30
Equipment	5-20
Infrastructure	15-30

6. Compensated Absences

In accordance with contracts negotiated with the various employee groups of the City, individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in the contracts. All sick and vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured. The long-term portion of compensated absences related to the governmental funds is a liability recorded in the Statement of Net Assets. The total liability at June 30, 2004 is \$248,613.

CITY OF PLYMOUTH
Notes to Financial Statements
June 30, 2004

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

D. Assets, Liabilities and Net Assets or Equity - Continued

7. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

Long-term debt is recognized as a liability of a governmental fund when due. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the Statement of Net Assets. Long-term liabilities expected to be financed from proprietary funds are reported as liabilities in those funds.

8. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet And the Statement of Net Assets

The governmental fund balance sheet includes a reconciliation between *fund balance - total governmental funds* and *net assets - governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this \$10,718,338 difference are as follows:

General Obligation Bonds Payable	\$10,469,725
Compensated Absences Payable	<u>248,613</u>
	<u>\$10,718,338</u>

CITY OF PLYMOUTH
Notes to Financial Statements
June 30, 2004

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS - Continued

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances-total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this \$693,835 difference are as follows:

Capital Outlay	\$549,890
Capital Outlay-Accomplished with Enterprise Fund Resources	661,257
Depreciation Expense	<u>(517,312)</u>
	<u>\$693,835</u>

Another element of that reconciliation states that "the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities." The details of this \$1,844,498 difference are as follows:

Principal Repayments	\$ 1,268,233
Principal Deemed Paid by In Substance Defeasance	1,795,000
Less : Proceeds of Long Term Debt	(4,300,000)
Less: Debt Reclassified from Enterprise to Governmental Compensated Absences Decrease	(659,579)
	<u>51,848</u>
	<u>\$(1,844,498)</u>

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The City is legally subject to the budgetary control requirements of the State of Michigan P.A. 621 of 1978 (Uniform Budgeting Act). The following is a summary of the requirements of this act:

- a. Budgets must be adopted for the General and Special Revenue Funds.
- b. Budgets must be balanced.
- c. Budgets must be amended as necessary.
- d. Public hearings must be held prior to adoption.
- e. Expenditures cannot exceed budget appropriations.
- f. Expenditures must be authorized by a budget appropriation prior to being incurred.

CITY OF PLYMOUTH
Notes to Financial Statements
June 30, 2004

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - Continued

A. Budgetary Information – Continued

The City follows these procedures in establishing the budgetary data reflected in these financial statements:

1. At the first meeting in April, the City Manager submits to the City Commission the proposed operating budgets for the fiscal year commencing the following July 1. The operating budgets include proposed expenditures and the means of financing them, for the General, Special Revenue, Debt Service and Proprietary Fund Types.
2. Public hearings are conducted at City Hall to obtain taxpayer comments.
3. Prior to June 30, the budgets are legally enacted at the activity level for the General Fund and at the total fund expenditure level for the Special Revenue Funds through passage of a resolution.
4. Formal budgetary integration is employed as a management control device during the year for all budgetary funds.
5. The City Manager is authorized to transfer amounts not to exceed 10% of the departmental budget between departmental (activity level) appropriation accounts.
6. Budget appropriations lapse at year end.
7. The City does not employ encumbrance accounting as an extension of formal budgetary integration in the governmental funds.
8. Budgeted amounts are reported as originally adopted, or as amended by the City Commission.

B. Compliance with P.A. 621 of 1978

1. Deficit Fund Balance

The Building Department Fund has a deficit balance of \$11,046. The City intends on increasing revenues to eliminate the deficit.

2. Excess of Expenditures Over Appropriations in Budgetary Funds

The budget for the General Fund is adopted at the activity level and the budgets for the Special Revenue Funds are adopted at the fund level. Expenditures in excess of budget appropriations are as follows:

	<u>Final Budget</u>	<u>Actual</u>	<u>Excess Expenditures Over Appropriations</u>
General Fund:			
City Manager	\$ 326,300	\$ 328,858	\$ (2,558)
Other	379,560	382,094	(2,534)
Local Streets	424,020	432,012	(7,992)
Solid Waste Fund	947,000	947,892	(892)

CITY OF PLYMOUTH
Notes to Financial Statements
June 30, 2004

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Under State law, the City is permitted to invest in deposits with Michigan commercial banks, savings and loans and credit unions, obligations of the U.S. Treasury, and corporate bonds and commercial paper with certain investment grades.

Deposits (cash and certificates of deposit) are carried at cost which approximates market value. The carrying amount of deposits along with imprest cash of \$1,675 are separately displayed on the balance sheets as "Cash and Cash Equivalents".

The carrying amount of the City's deposits with financial institutions at June 30, 2004 was \$6,830,130 and the bank balance was \$7,047,170 categorized as follows:

	<u>Bank Balance</u>
Insured by F.D.I.C.	\$ 200,000
Uninsured and Uncollateralized	<u>6,847,170</u>
Total	<u>\$7,047,170</u>

A reconciliation of cash for the primary government follows:

Cash and Cash Equivalents per:	
Statement of Net Assets	\$5,685,506
Statement of Fiduciary Net Assets	134,123
Restricted Assets-Statement of Net Assets	<u>1,010,501</u>
Total	<u>\$6,830,130</u>

At June 30, 2004 the carrying amount and bank balances of the component units of the City of Plymouth are as follows:

	<u>Carrying Amount</u>	<u>Bank Balance</u>	<u>FDIC Insured</u>
Downtown Development Authority	\$252,289	\$252,289	\$ -
Economic Development Corporation	-	-	-
Brownfield Redevelopment Authority	<u>112</u>	<u>112</u>	-
	<u>\$252,401</u>	<u>\$252,401</u>	<u>\$ -</u>

CITY OF PLYMOUTH
Notes to Financial Statements
June 30, 2004

IV. DETAILED NOTES ON ALL FUNDS - Continued

B. Capital Assets

Capital asset activity for the year ended June 30, 2004 was as follows:

<u>Governmental Activities:</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital Assets, not depreciated:				
Land	\$ 1,243,808	\$ -	\$ -	\$ 1,243,808
Capital Assets, being depreciated:				
Building and Improvements	4,772,825	83,661	-	4,856,486
Machinery and Equipment	456,412	33,297	-	489,709
Infrastructure	8,995,557	1,094,189	-	10,089,746
Internal Service Fund-	3,465,872	80,101	(80,892)	3,465,081
	<u>17,690,666</u>	<u>1,291,248</u>	<u>(80,892)</u>	<u>18,901,022</u>
Less: Accumulated Depreciation:				
Building and Improvements	(2,572,585)	(124,083)	-	(2,696,668)
Machinery and Equipment	(162,446)	(44,492)	-	(206,938)
Infrastructure	(493,564)	(348,737)	-	(842,301)
Internal Service Fund-	(2,287,528)	(259,144)	79,192	(2,467,480)
	<u>(5,516,123)</u>	<u>(776,456)</u>	<u>79,192</u>	<u>(6,213,387)</u>
Governmental Activities Capital Assets, net	\$ <u>13,418,351</u>	\$ <u>514,792</u>	\$ <u>(1,700)</u>	\$ <u>13,931,443</u>
<u>Business-type Activities:</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital Assets, being depreciated:				
Water and Sewer Mains	\$ 8,959,919	\$ 508,960	\$ -	\$ 9,468,879
Equipment	272,685	19,649	-	292,334
	<u>9,232,604</u>	<u>528,609</u>	<u>-</u>	<u>9,761,213</u>
Less: Accumulated Depreciation:				
Water and Sewer Mains	(2,991,074)	(185,083)	-	(3,176,157)
Equipment	(234,172)	(58,715)	-	(292,887)
	<u>(3,225,246)</u>	<u>(243,798)</u>	<u>-</u>	<u>(3,469,044)</u>
Business Activities Capital Assets, net	\$ <u>6,007,358</u>	\$ <u>284,811</u>	\$ <u>-</u>	\$ <u>6,292,169</u>

CITY OF PLYMOUTH
Notes to Financial Statements
June 30, 2004

IV. DETAILED NOTES ON ALL FUNDS - Continued

B. Capital Assets - Continued

<u>Component Units:</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital Assets, being depreciated:				
Equipment	\$ 4,775	\$ 5,269	\$ -	\$ 10,044
Infrastructure	5,321,074	27,747	-	5,348,821
	<u>5,325,849</u>	<u>33,016</u>	<u>-</u>	<u>5,358,865</u>
Less: Accumulated Depreciation:				
Equipment	(1,916)	(1,085)	-	(3,001)
Infrastructure	(1,839,165)	(180,133)	-	(2,019,298)
	<u>(1,841,081)</u>	<u>(181,218)</u>	<u>-</u>	<u>(2,022,299)</u>
Component Units				
Capital Assets, net	\$ <u>3,484,768</u>	\$ <u>(148,202)</u>	\$ <u>-</u>	\$ <u>3,336,566</u>

Depreciated expense was charged to functions of the primary government as follows:

General Government	\$ 66,831
Public Safety	4,657
Public Works	385,478
Recreation and Culture	60,346
Charged though internal service funds	<u>259,144</u>
	\$ <u>776,456</u>

CITY OF PLYMOUTH
Notes to Financial Statements
June 30, 2004

IV. DETAILED NOTES ON ALL FUNDS - Continued

C. Interfund Receivables, Payables and Transfers

1. Interfund Receivables and Payables

The composition of interfund balances as of June 30, 2004, is as follows:

<u>Receivable Fund</u>	<u>Payble Fund</u>	<u>Amount</u>
General Fund	Local Street Fund	\$ 10,000
	Recreation	60,000
	Budget Stabilization	619
	Property Tax Fund	1
	Housing Agency	46,000
	Council on Aging Agency	500
		<u>117,120</u>
Major Streets	General Fund	11,000
	MVH Capital Projects	56,381
		<u>67,381</u>
MVH Capital Projects	Local Streets	<u>15,000</u>
Property Tax Agency	General Fund	<u>15,279</u>
Total		\$ <u><u>214,780</u></u>

CITY OF PLYMOUTH
Notes to Financial Statements
June 30, 2004

IV. DETAILED NOTES ON ALL FUNDS - Continued

C. Interfund Receivables, Payables and Transfers – Continued

2. Interfund Transfers -

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Local Streets	General Fund	\$ 64,560
Recreation	General Fund	148,597
Neighborhood Services	General Fund	47,700
2002 Capital Imp. Debt	General Fund	52,350
Major Streets	General Fund	11,000
		<u>324,207</u>
MTF Debt Service	Major Streets	95,700
Local Streets	Major Streets	92,020
		<u>187,720</u>
MTF Debt Service	Local Streets	84,660
2002 Capital Imp. Debt	Recreation Fund	9,420
2002 GO Bond Const.	MVH Capital Projects	42,571
2002 Capital Imp. Debt	Solid Waste	6,280
MVH Construction	Public Improvement	60,000
2002 Capital Imp. Debt	Building	2,090
Cemetery Trust	General Fund	3,126
2002 Capital Imp. Debt	Equipment Fund	6,280
2002 Capital Imp. Debt	Water and Sewer	23,030
Total		\$ <u><u>749,384</u></u>

CITY OF PLYMOUTH
Notes to Financial Statements
June 30, 2004

IV. DETAILED NOTES ON ALL FUNDS - Continued

D. Long-Term Debt

The following is a summary of long-term debt transactions of the City for the year ended June 30, 2004:

	Balance July 1, 2003	Additions	Reductions	Balance June 30, 2004	Balance Within 1 Year
Gov. Activities:					
G.O. Bonds	\$ 6,710,421	\$ 4,959,579	\$ 2,660,000	\$ 9,010,000	\$ 810,000
Landfill Closure Loan	312,958	-	58,233	254,725	62,358
M.B.A. Bonds	1,550,000	-	345,000	1,205,000	330,000
Comp. Absences	300,461	-	51,848	248,613	-
Note-Equip.Fund	352,312	-	107,647	244,665	110,506
	<u>\$ 9,226,152</u>	<u>\$ 4,959,579</u>	<u>\$ 3,222,728</u>	<u>\$ 10,963,003</u>	<u>\$ 1,312,864</u>
Note-reductions of debt included:					
Repayments			\$ 865,000		
2001 MTF Bonds Defeased			1,795,000		
			<u>\$ 2,660,000</u>		
Note: additions included:					
New Debt Issued	\$ 4,300,000				
Reclassification of Enterprise to General Obligation		659,579			
		<u>\$ 4,959,579</u>			
Business Type Activities:					
Rev. Bonds	\$ 2,590,000	\$ -	\$ 100,000	\$ 2,490,000	\$ 105,000
Bonds Payable	659,579	910,000	659,579	910,000	35,000
	<u>\$ 3,249,579</u>	<u>\$ 910,000</u>	<u>\$ 759,579</u>	<u>\$ 3,400,000</u>	<u>\$ 140,000</u>
Component Unit					
D.D.A.	<u>\$ 1,350,000</u>	<u>\$ -</u>	<u>\$ 200,000</u>	<u>\$ 1,150,000</u>	<u>\$ 200,000</u>

CITY OF PLYMOUTH
Notes to Financial Statements
June 30, 2004

IV. DETAILED NOTES ON ALL FUNDS - Continued

D. Long Term Debt – Continued

The following is a summary of general obligation debt outstanding (excluding compensated absences) of the City as of June 30, 2004:

	<u>Number of Issues</u>	<u>Interest Rate</u>	<u>Maturing Through</u>	<u>Principal Outstanding</u>
Governmental Activities:				
General Obligation Bonds	5	2.00%-4.75%	2019	\$ 9,010,000
Landfill Closure Loan	1	5.86%	2008	254,725
Municipal Building Authority	2	4.55%-5.25%	2009	1,205,000
Notes Payable Equipment	3	3.45%-5.30%	2009	244,665
Total Governmental Activities				\$ <u>10,714,390</u>
Business Type Activities:				
Revenue Bonds Payable	4	4.70%-6.00%	2020	\$ 2,490,000
Bonds Payable	1	2.00%-5.00%	2024	910,000
Total Business Type Activities				\$ <u>3,400,000</u>
Component Unit:				
Downtown Development Auth.	1	5.25%-5.70%	2010	\$ <u>1,150,000</u>

CITY OF PLYMOUTH
Notes to Financial Statements
June 30, 2004

IV. DETAILED NOTES ON ALL FUNDS - Continued

D. Long Term Debt – Continued

The annual debt service requirements to maturity for debt outstanding as of June 30, 2004 is as follows:

Year Ended	Governmental Activities		Business Activities	
	Principal	Interest	Principal	Interest
2005	\$ 1,312,864	\$ 436,147	\$ 140,000	\$ 168,165
2006	1,384,841	228,237	145,000	162,234
2007	1,224,795	163,110	150,000	156,005
2008	666,890	104,186	155,000	149,632
2009	635,000	87,428	160,000	142,809
2010-2014	2,590,000	217,005	935,000	591,326
2015-2019	2,900,000	54,650	1,190,000	328,998
2020-2024	-	-	525,000	52,197
	<u>\$ 10,714,390</u>	<u>\$ 1,290,763</u>	<u>\$ 3,400,000</u>	<u>\$ 1,751,366</u>

Year Ended	Component Units-DDA	
	Principal	Interest
2005	\$ 200,000	\$ 58,538
2006	200,000	47,738
2007	225,000	36,044
2008	250,000	22,738
2009	275,000	7,838
	<u>\$ 1,150,000</u>	<u>\$ 172,896</u>

On June 9, 2004, the City of Plymouth, issued the Unlimited Tax General Obligation Street Bonds Series 2004, of \$4,300,000 with interest rates ranging from 3.50-4.35% to accomplish street improvements, and to advance refund the City's obligations remaining on the Michigan Transportation Fund Bonds, Series 2001, with interest rates ranging from 3.00-4.25% and principal outstanding of \$1,795,000. The Unlimited General Obligation Bonds Series 2004 were issued at a premium of \$23,909 and after paying issuance costs of \$105,372, the net proceeds were \$4,218,537. The net proceeds from the issuance of the Unlimited General Obligation Bonds were used as follows:

- To purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the Michigan Transportation Bonds, Series 2001 are called on August 1, 2011 (\$1,823,603).

CITY OF PLYMOUTH
Notes to Financial Statements
June 30, 2004

IV. DETAILED NOTES ON ALL FUNDS – Continued

D. Long Term Debt – Continued

- \$2,394,934 deposited to the 2004 General Obligation Capital Projects Fund, to accomplish street improvements.

The advance refunding met the requirements of an in-substance debt defeasance and the term bonds were removed from the City's financial statements.

As a result of the advance refunding, the City increased its total debt service requirements by \$289,534, which resulted in an economic loss (difference between the present value of the debt service payments on the old and new debt) of \$202,256.

Significant details regarding outstanding long-term debt (including current portion) for the primary government are presented below:

General Obligation Bonds

Bonds payable at June 30, 2004 for the General Obligation debt of the City serviced from a Debt Service Fund is as follows:

\$4,995,000 Unlimited Tax General Obligation Street Bonds – Series 1997, dated March 1, 1997, due in annual installments ranging from \$515,000 to \$610,000 with interest ranging from 4.35% to 4.75%, payable semi-annually. The bonds are not callable prior to maturity.	\$1,735,000
\$705,000 Unlimited Tax General Obligation Street Bonds – Series 1999, dated May 1, 1998, due in annual installments of \$100,000 with interest ranging from 4.05% to 4.60% payable semi-annually.	300,000
\$2,000,000 Unlimited Tax General Obligation Street Bonds Series 2002, dated June 1, 2002, due in annual installments ranging from \$175,000 to \$200,000, with interest ranging from 3.75% to 4.75%. Payable semi-annually in October and April.	1,845,000
\$970,000 Limited Tax General Obligation Capital Improvement Bonds, dated June 1, 2002, due in annual installments ranging from \$70,000 to \$130,000 with semi-annual interest payable October and April ranging from 2.00% to 4.00%.	830,000
\$4,300,000 Unlimited Tax General Obligation Street Bonds, Series 2004, dated June 1, 2004, due in annual installments ranging from \$250,000 to \$645,000, with semi-annual interest payable October and April from 3.50% to 4.350%	<u>4,300,000</u>
Total General Obligation Bonds	<u>\$9,010,000</u>

CITY OF PLYMOUTH
Notes to Financial Statements
June 30, 2004

IV. DETAILED NOTES ON ALL FUNDS - Continued

D. Long-Term Debt - Continued

Landfill Closure Loan

\$750,000, installment loan payable, dated February 23, 1993, due in quarterly installments of \$18,877 including interest of 5.86% through May 23, 2008. The loan is serviced by the Solid Waste (Special Revenue) Fund.

\$ 254,725

Municipal Building Authority

The City of Plymouth is party to long-term lease agreements for rental of buildings and parking structures with the City of Plymouth Municipal Building Authority. The Building Authority was created in 1962, pursuant to the provisions of Public Act 31, for the purpose of financing and constructing City facilities.

The leases stipulate that fixed annual rentals will be paid to the Authority and such rentals are pledged exclusively for payment of principal and interest on revenue bonds issued by the Authority to finance the various projects. The lease agreements also provide that after all revenue bonds are retired, the fixed annual rentals will cease, and title to all buildings and structures shall vest in the City of Plymouth.

The City's full faith and credit is pledged for the payment of these rentals (subject to constitutional limitations). The lease agreements are essentially financing vehicles for the City of Plymouth to purchase buildings and structures. Under provisions of generally accepted accounting principles for these types of leases, the assets and related liabilities encompassed by the lease are included in the Balance Sheet of the lessee (City of Plymouth) as if these assets were purchased and financed by the lessee. These assets and liabilities are normally measured by the lesser of fair market value of the property at the inception of lease or present value of the minimum lease payments (discounted) at the lessee's incremental borrowing rate at the beginning of the lease term. Since the minimum lease payments are the payments required to retire the debt, the assets are shown at fair market value at the inception of the lease(cost) and the related lease liabilities are the outstanding revenue bonds related to the leased assets.

CITY OF PLYMOUTH
Notes to Financial Statements
June 30, 2004

IV. DETAILED NOTES ON ALL FUNDS - Continued

D. Long-Term Debt - Continued

Municipal Building Authority - Continued

Bonds payable at June 30, 2004 for the Municipal Building Authority, serviced from a Debt Service Fund are as follows:

\$1,500,000, 1993 Building Authority Refunding Bonds (City Hall Addition, Library Addition and Parking Structure Phase I), dated April 1, 1993, due in annual installments of \$100,000 through September 1, 2008, with interest increasing from 4.55% to 5.00%, payable semi-annually. Bonds maturing in the year 2004 and thereafter may be redeemed at the option of the Building Authority on any interest payment date on or after September 1, 2002, at the following redemption prices, plus accrued interest to the redemption date:

1% of the par value for bonds called for redemption on or after September 1, 2003, but prior to September 1, 2004.

No premium shall be paid on bonds called for redemption on or after September 1, 2004.	\$ 375,000
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\$2,665,000, 1995 Building Authority Refunding Bonds (DPW Services, 1987 and 1988 Building Authority and District Court) dated May 23, 1995, due in annual installments ranging from \$75,000 to \$275,000 through May 1, 2009, with interest increasing from 4.70% to 5.25%, payable semi-annually. The bonds are not subject to redemption prior to maturity.	<u>830,000</u>
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Total Building Authority Bonds	<u>\$1,205,000</u>
--------------------------------	--------------------

On May 23, 1995, the City, through the City of Plymouth Municipal Building Authority, defeased \$130,000 and \$1,035,000 of outstanding 1986 DPW Services Building Revenue Bonds and 1986 District Court Refunding Bonds and partially defeased \$550,000 and \$755,000 of the outstanding 1987 Building Authority Bonds Series A and 1988 Building Authority Bonds, by establishing an irrevocable

CITY OF PLYMOUTH
Notes to Financial Statements
June 30, 2004

IV. DETAILED NOTES ON ALL FUNDS - Continued

D. Long-Term Debt - Continued

Municipal Building Authority – Continued

trust with U.S. Government Securities sufficient to meet the annual installment principal obligations for maturities due subsequent to the year ending June 30, 1995 or 1996, as applicable and the associated semi-annual interest payments. Accordingly the trust account assets and liabilities for the defeased portions of the bond issues are not included in the City's financial statements. At June 30, 2004, bonds outstanding of \$655,000, \$425,000 and \$625,000 of the 1986 District Court Refunding, 1987 Building Authority Bonds Series and 1988 Building Authority issues, respectively, are considered defeased. The 1986 DPW Services Building Revenue Bond issue was paid in full during 1996.

On April 1, 1993, the City through the City of Plymouth Municipal Building Authority partially defeased \$305,000, \$805,000 and \$210,000 of the outstanding City Hall Addition, Parking Structure Phase I and Library Addition, respective bond issues, by establishing an irrevocable trust with U.S. Government Securities sufficient to meet the annual installment principal obligations for maturities due subsequent to the year ending June 30, 1993, and the associated semi-annual interest payments. Accordingly, the trust account assets and liabilities for the defeased portions of the bond issues are not included in the City's financial statements. At June 30, 2004, bonds outstanding of \$150,000 and \$655,000 of the City Hall Addition and Parking Structure Phase I, respectively, are considered defeased. The Library Addition bond issue was paid in full during 2001.

Water and Sewer (Enterprise) Fund

Revenue Bonds:

\$400,000, 1991 Sewage Disposal Revenue Bonds, dated March 1, 1991, due in annual installments increasing from \$35,000 to \$40,000 through February 1, 2006, with interest ranging from 5.25% to 6.50%, payable semi-annually.	\$ 80,000
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\$990,000 1999 Water Supply and Sewage Disposal System Revenue Bonds, Series A, dated May 1, 1999, due in annual installments increasing from \$10,000 to \$90,000 through February 1, 2019, with interest ranging from 4.70% to 5.15%, payable semi-annually.	935,000
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\$710,000 1999 Water Supply and Sewage Disposal System Revenue Bonds, Series B, dated June 1, 1999, due in annual installments increasing from \$25,000 to \$50,000 through February 1, 2019, with interest ranging from 4.30% to 5.375%, payable semi-annually.	575,000
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CITY OF PLYMOUTH
Notes to Financial Statements
June 30, 2004

IV. DETAILED NOTES ON ALL FUNDS - Continued

D. Long-Term Debt - Continued

Water and Sewer (Enterprise) Fund - Continued

\$995,000 2000 Water Supply and Sewage Disposal System Revenue Bonds, Series C, dated January 1, 2000, due in annual installments increasing from \$25,000 to \$225,000 through February 1, 2020, with interest ranging from 4.90% to 6.00%, payable semi-annually. 900,000

Capital Improvement, General Obligation Bonds

\$910,000, 2003 Capital Improvement Bonds, dated August 1, 2003, due in annual installments ranging from \$35,000 to \$65,000, through August 1, 2012, with interest ranging from 2.0% to 5.0%. 910,000
\$3,400,000

Equipment (Internal Service) Fund

Capital Lease Obligations

\$257,816 Capital lease obligation to finance the purchase of a "Vactor" dated July 18, 2002, due in 5 annual installments of \$51,563 plus interest of 3.45%, beginning September 1, 2002. \$ 154,690

\$148,000 Capital Lease Obligation dated September 18, 2001 to finance acquisition of a Street Sweeper, payable in annual installments of \$32,615 including interest. 60,560

\$114,950 Capital Lease dated September 18, 2001, to finance acquisition of a Loader and Packer, payable in annual installments of \$30,916 including interest. 29,415
\$ 244,665

Significant details regarding outstanding long-term debt (including current portion) for the component units are presented below:

Downtown Development Authority:

\$2,400,000, 1994 Downtown Development Limited Tax General Obligation Bonds, dated August 1, 1994, due in annual installments increasing from \$200,000 to \$275,000 through January 1, 2009, with interest increasing from 5.05% to 5.70%, payable semi-annually. Bonds maturing in the year 2005 and thereafter may be redeemed at the option of the Authority on any interest payment date on or after January 1, 2004, at par value plus accrued interest to the redemption date. \$1,150,000

CITY OF PLYMOUTH
Notes to Financial Statements
June 30, 2004

IV. DETAILED NOTES ON ALL FUNDS – Continued

E. Capital Leases

The City of Plymouth has entered into various lease purchase agreements with the Municipal Building Authority to finance the construction of certain buildings and structures. These lease agreements qualify as capital leases for accounting purposes.

The City has entered into an agreement with the Municipal Building Authority, and the 35th District Court. The Building Authority financed construction of the District Court Building through the issuance of bonds. The buildings have been sublet by the City to the 35th District Court for cash rental sufficient to retire the bonds. The arrangements strictly between the City and the Building Authority require the City to make rental payments to the Building Authority to satisfy the annual debt service requirements for the buildings and structures involved.

Commitments under these lease agreements provide for minimum annual payments summarized as follows:

Year Ended June 30	<u>1993 & 1995 Refunding Issues</u>		
	<u>City</u>	<u>District Court</u>	<u>Total</u>
2005	\$ 257,012	\$132,880	\$ 389,892
2006	256,415	130,965	387,380
2007	244,467	5,658	250,125
Later Years	<u>325,108</u>	<u>-</u>	<u>325,108</u>
Total Minimum Lease Payments	1,083,002	269,503	1,352,505
Less: Interest	<u>(105,325)</u>	<u>(42,180)</u>	<u>(147,505)</u>
Capitalized Lease Receivable	<u>\$ 977,677</u>	<u>\$227,323</u>	<u>\$1,205,000</u>

F. Reserved Fund Balance

A detailed description of fund balance reservations and designations (for all governmental fund types) at June 30, 2004, is presented below:

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Cemetery Trust</u>
<u>Fund Balance</u>					
Reserved for:					
Capital Projects	\$ -	\$ -	\$ -	\$2,935,077	\$ -
Debt Service	-	-	78,071	-	-
Cemetery Trust	-	-	-	-	395,753
Total Reserved	-	-	78,071	2,935,077	395,753
Unreserved:					
Undesignated	<u>312,111</u>	<u>1,253,011</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Fund Balance	<u>\$312,111</u>	<u>\$1,253,011</u>	<u>\$78,071</u>	<u>\$2,935,077</u>	<u>\$395,753</u>

CITY OF PLYMOUTH
Notes to Financial Statements
June 30, 2004

IV. DETAILED NOTES ON ALL FUNDS - Continued

G. Property Taxes

Property taxes are assessed as of each December 31. The City tax levy is billed on July 1 of the following year, and payable in eight installments through February. Taxes are considered delinquent on March 1, at which time the applicable property is subject to lien and penalty and interest is assessed. The maximum authorized operating levy for the City is 15 mills prior to "rollback" required by State laws, and additional amounts for Solid Waste as provided by State law. The City also levies voter approved amounts for general obligation debt. The City's tax levy for the 2003 tax roll is as follows (tax rate per \$1,000 of assessed valuation):

	<u>Tax Rate</u>
General Operating	11.3937
Refuse	1.8000
General Obligation Debt	<u>2.3100</u>
Total	<u>15.5037</u>

V. OTHER INFORMATION

A. Employee Retirement Systems and Plans

1. Municipal Employees Retirement System Defined Benefit Plan

a. Plan Description

The City of Plymouth participates in the Municipal Employees Retirement System (MERS), a multiple employer state-wide, public employee defined benefit pension plan created under Public Act 135 of 1945, and now operates under Public Act 220 of 1996, and the MERS Plan Document as revised. MERS was established to provide retirement, survivor and disability benefits on a voluntary basis to the State of Michigan's local government employees. Act No. 427 of the Public Acts of 1984, as amended, establishes and amends the benefits provisions of the participants in MERS. The Municipal Employees Retirement System of Michigan issues a publicly available financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing to the Municipal Employees Retirement System of Michigan, 447 N. Canal Road, Lansing, Michigan 48917 or by calling (800) 767-6377.

b. Funding Policy

The plan adopted by the City Commission requires no member contributions. The City is required to contribute at an actuarially determined rate; the rate for 2004 was from 5.92% to 44.48%. The contribution requirements of plan members and the City are established and may be amended by the City, depending on the MERS contribution program adopted by the City.

CITY OF PLYMOUTH
Notes to Financial Statements
June 30, 2004

V. OTHER INFORMATION – Continued

A. Employee Retirement Systems and Plans - Continued

1. Municipal Employees Retirement System Defined Benefit Plan - Continued

c. Annual Pension Costs

For fiscal year 2004, the City's annual pension cost of \$222,781 for MERS was equal to the City's required and actual contributions. The required contribution was determined as part of the December 31, 2001 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 8.0% (b) projected salary increases of 5.0% per year compounded annually, attributable to inflation (c) additional projected salary increases ranging from 0.0% to 8.66% per year, depending on age, attributable to seniority/merit and (d) the assumption that benefits will increase 2.5% annually for employees under benefit E-1 or E-2. The actuarial value of MERS assets was determined on the basis of an evaluation method that assumes the funds earn the expected rate of return an adjustment to reflect market value. Unfunded actuarial accrued liabilities, if any, were amortized as a level percent of payroll over a period of 30 years.

Three-Year Trend Information

<u>Fiscal Year Ended June 30</u>	<u>Annual Pension Costs (APC)</u>	<u>Percentage of APC Contribution</u>	<u>Net Pension Obligation</u>
2002	\$252,026	100%	\$ -
2003	306,666	100%	-
2004	222,781	100%	-

2. Defined Contribution Plan

a. Plan Description

The City of Plymouth contributes to the City of Plymouth defined contribution plan, which is a defined contribution money purchase pension plan. The plan is administered by the ICMA Retirement Corporation (ICMA) who sponsors the prototype plan. Amendments are developed by ICMA and submitted to the City Commission for approval.

A defined contribution money purchase pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount

CITY OF PLYMOUTH
Notes to Financial Statements
June 30, 2004

V. OTHER INFORMATION – Continued

A. Employee Retirement Systems and Plans - Continued

2. Defined Contribution Plan – Continued

a. Plan Description - Continued

contributed to the participant's account, the returns earned on investments of those contributions, and forfeitures of other participants' benefits that may be allocated to such participant's account. All employees hired on or after March 31, 1999 are eligible to participate in the plan. Contributions made by the City or an employee vest immediately.

b. Contributions Required and Contributions Made

The City contributes 15% of gross pay for each eligible employee. During the year, the City's required and actual contributions amounted to \$437,445.

B. Post Retirement Health Care Benefits

In addition to providing pension benefits, the City provides certain health care insurance benefits to all full time employees of the City. All eligible full time employees who retire at normal retirement age, are entitled to receive these benefits during their retirement. Currently 50 retirees are covered by this plan. These benefits are expensed in the year paid, on a pay-as-you-go basis. For the year ended June 30, 2004, these costs amounted to approximately \$588,000. The basis for these payments are the agreements with employee groups through collective bargaining as well as the City's personnel policy.

C. Risk Management

The City purchases insurance coverage through traditional means. The City's property and liability and workers compensation coverages are on file in the Risk Manager's office.

The City has contracted with Presidium/HCM to administer a self-funded health insurance program. Under the plan, the City pays a fixed administrative and reinsurance fee, and self-insures claims within plan limits. The plan has a \$50,000 specific stop-loss limit per insured, and an annual aggregate stop-loss maximum (for the City as a total) in the amount of \$681,156 (2003-2004), plus administrative cost on October 1 to September 30, year end, which represented the City's maximum cost exposure under the plan, subject to \$1,000,000 limitation. Claims in excess of the individual stop-loss or aggregate stop-loss limits are covered under the reinsurance coverage.

CITY OF PLYMOUTH
Notes to Financial Statements
June 30, 2004

V. OTHER INFORMATION – Continued

C. Risk Management - Continued

Changes in the balance of claim liability during the past year are as follows:

Unpaid claims at beginning of year	\$ 97,991
Incurred claims (including IBNRs)	1,182,169
Claims Paid	<u>(1,201,216)</u>
Unpaid claims, at end of year	<u>\$ 78,944</u>

D. Contingencies

1. Landfill Closure

The City of Plymouth owns a Solid Waste Landfill located in Salem Township. The landfill was closed and capped during the 1960's to meet the standards and requirements of that time period.

Since that time, post closure monitoring of the Landfill by the City and the Michigan Department of Natural Resources have identified problems with the deterioration of the clay cap and blockage of a storm drain that runs through the landfill. The City received a \$600,000 grant award to partially finance the costs of installing additional ventilation wells in the landfill and grouting out the 30 inch drainage pipe that runs through the landfill. In addition to this Landfill Closure DNR grant, the City borrowed \$750,000 to finance the total projected project costs of \$1,350,000.

During the procedure to eliminate the blockage to the drainage pipe, it was noted that the pipe had settled in certain sections making the grouting of the pipe impossible. The City and the DNR agreed upon a solution to route a storm sewer around the perimeter of the landfill. The project was completed in 1996 and the City was granted certification from the DNR.

The cumulative landfill closure costs incurred through June 30, 2004, amounts to \$2,286,127 reported within the Solid Waste (Special Revenue) Fund. Additionally cumulative interest expenditures of \$152,210 relating to the \$750,000 landfill closure loan through June 30, 2004, have been reflected in the Solid Waste Fund. The landfill closure obligation is considered to be satisfied at June 30, 2004. However, the City has the responsibility of monitoring the landfill site in the future and the potential for unforeseen closure costs could materialize. In the opinion of City Management the liability, if any, would not be material.

CITY OF PLYMOUTH
Notes to Financial Statements
June 30, 2004

V. OTHER INFORMATION – Continued

D. Contingencies - Continued

2. Property Tax Litigation

Utility companies appealed tax assessments for 1997-2003, claiming that the State Tax Commission revised depreciation tables adopted in 1999 had retroactive effect. The courts have ruled in favor of the utilities, and while the case is in appeals, the City believes a recognition of losses are likely in future years. While the exact amount of this loss is not known, a reasonable estimate based on information currently available is approximately \$196,000. This amount has been recognized as a loss in a prior year and appears as a liability in the General Fund, Debt Service Fund, Solid Waste and DDA Funds.

3. Other Matters

There are various other legal actions pending against the City. Due to the inconclusive nature of many of the actions, it is not possible to determine the probable outcome or a reasonable estimate of the City's potential liability, if any.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF PLYMOUTH
Required Supplementary Information – (Unaudited)
Defined Benefit Pension Plans – Trend Information
For the Year Ended June 30, 2004

Municipal Employees Retirement System
Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percent of Covered Payroll
12/31/97	\$ 12,702,595	\$ 15,985,089	\$ 3,282,494	79%	\$ 2,921,890	112%
12/31/98	14,063,485	17,028,501	2,965,016	83%	2,895,219	102%
12/31/99	11,907,602	14,165,659	2,258,057	84%	1,226,401	184%
12/31/00	10,365,016	14,556,753	4,191,737	71%	975,470	430%
12/31/01	10,538,432	14,748,826	4,210,394	71%	980,579	429%
12/31/02	10,271,793	15,032,157	4,760,364	68%	945,511	503%
12/31/03	10,396,593	15,571,073	5,174,480	67%	747,597	692%

The information presented above was determined as part of the actuarial valuations at the dates indicated.

Additional information as of December 31, 2003, the latest actual valuation, follows:

Actuarial cost method	Entry age normal cost
Amortization method	Level percent
Remaining amortization period	30 years
Asset valuation method	5-year smoothed market
Actuarial assumptions:	
Investment rate of return	8%
Projected salary increases	4.50%
Includes inflation at 4.5%	
Cost of living adjustments	None

CITY OF PLYMOUTH
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2004

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
Revenues:				
Property Taxes	\$ 4,283,460	\$ 4,407,970	\$ 4,413,046	\$ 5,076
Licenses and Permits	7,500	3,500	2,412	(1,088)
Intergovernmental - Federal	-	16,000	16,330	330
Intergovernmental - State	953,250	890,750	904,976	14,226
Charges for Services	642,000	723,650	690,324	(33,326)
Fines and Forfeitures	130,000	75,000	94,156	19,156
Interest Earnings	50,000	20,000	22,743	2,743
Other Revenues	259,000	434,500	423,511	(10,989)
Total Revenues	6,325,210	6,571,370	6,567,498	(3,872)
Expenditures:				
General Government:				
City Commission	71,630	62,630	53,840	8,790
City Manager	325,200	326,300	328,858	(2,558)
Attorney	157,500	147,500	124,630	22,870
Finance	514,220	497,930	482,436	15,494
Clerk/Elections	262,130	211,530	170,634	40,896
Management Information Services	145,560	157,560	135,850	21,710
City Hall and Grounds	346,450	412,450	397,222	15,228
Cemetery	206,580	225,580	200,534	25,046
	2,029,270	2,041,480	1,894,004	147,476
Public Safety:				
Police	2,161,690	2,239,480	2,155,342	84,138
Fire	900,950	900,950	892,521	8,429
	3,062,640	3,140,430	3,047,863	92,567
Public Works	443,940	590,940	551,010	39,930
Recreation and Cultural-Special Events	115,200	75,200	69,644	5,556
Other	388,060	379,560	382,094	(2,534)
Capital Outlay	60,000	102,000	98,099	3,901
Total Expenditures	6,099,110	6,329,610	6,042,714	286,896
Excess (Deficiency) of Revenues Over Expenditures	226,100	241,760	524,784	283,024
Other Financing Sources (Uses):				
Operating Transfers In	2,500	3,600	3,126	(474)
Operating Transfers Out	(228,600)	(345,360)	(324,207)	21,153
Total Other Financing Sources (Uses)	(226,100)	(341,760)	(321,081)	20,679
Net Change in Fund Balance	-	(100,000)	203,703	303,703
Fund Balance - Beginning	108,408	108,408	108,408	-
Fund Balance - Ending	\$ 108,408	\$ 8,408	\$ 312,111	\$ 303,703

CITY OF PLYMOUTH
Recreation Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2004

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
Revenues:				
Taxes	\$ 233,150	\$ 240,710	\$ 242,014	\$ 1,304
Intergovernmental	-	8,500	7,725	(775)
Charges for Services	998,250	986,000	922,361	(63,639)
Other	5,000	5,000	-	(5,000)
Total Revenues	<u>1,236,400</u>	<u>1,240,210</u>	<u>1,172,100</u>	<u>(68,110)</u>
Expenditures:				
Culture and Recreation	1,223,380	1,337,190	1,182,196	154,994
Capital Outlay	18,000	18,000	17,433	567
Total Expenditures	<u>1,241,380</u>	<u>1,355,190</u>	<u>1,199,629</u>	<u>155,561</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(4,980)</u>	<u>(114,980)</u>	<u>(27,529)</u>	<u>87,451</u>
Other Financing Sources:				
Transfers In	14,400	124,400	148,597	24,197
Transfers Out	(9,420)	(9,420)	(9,420)	-
Total Other Financing Sources (Uses)	<u>4,980</u>	<u>114,980</u>	<u>139,177</u>	<u>24,197</u>
Net Change in Fund Balances	-	-	111,648	111,648
Fund Balance(Deficit), July 1	<u>(109,986)</u>	<u>(109,986)</u>	<u>(109,986)</u>	-
Fund Balance(Deficit), June 30	\$ <u>(109,986)</u>	\$ <u>(109,986)</u>	\$ <u>1,662</u>	\$ <u>111,648</u>

CITY OF PLYMOUTH
Combining Balance Sheet
Non Major Governmental Funds
June 30, 2004

	Special Revenue	Debt Service	Capital Projects	Permenant Funds Cemetery Care	Total Nonmajor Governmental Funds
<u>ASSETS</u>					
Cash and Cash Equivalents	\$ 1,178,818	\$ 95,429	\$ 148,694	\$ 340,305	\$ 1,763,246
Accounts Receivable	12,433	-	-	724	13,157
Due from Other Funds	67,381	-	-	-	67,381
Due from Other Governmental Units	97,814	-	-	-	97,814
Other	-	-	-	54,724	54,724
Inventory	52,347	-	-	-	52,347
Prepaid Expenditures	192	200	-	-	392
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	\$ <u>1,408,985</u>	\$ <u>95,629</u>	\$ <u>148,694</u>	\$ <u>395,753</u>	\$ <u>2,049,061</u>
<u>LIABILITIES AND FUND BALANCE</u>					
Liabilities:					
Accounts Payable	\$ 132,017	\$ 17,558	\$ 52,000	\$ -	\$ 201,575
Due to Other Funds	<u>25,619</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,619</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>157,636</u>	<u>17,558</u>	<u>52,000</u>	<u>-</u>	<u>227,194</u>
Fund Balance:					
Reserved for :					
Capital Projects	-	-	96,694	-	96,694
Debt Service	-	78,071	-	-	78,071
Other	-	-	-	395,753	395,753
Unreserved	<u>1,251,349</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,251,349</u>
Total Fund Balance	<u>1,251,349</u>	<u>78,071</u>	<u>96,694</u>	<u>395,753</u>	<u>1,821,867</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities and Fund Balance	\$ <u>1,408,985</u>	\$ <u>95,629</u>	\$ <u>148,694</u>	\$ <u>395,753</u>	\$ <u>2,049,061</u>

CITY OF PLYMOUTH
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Non Major Governmental Funds
For the Year Ended June 30, 2004

	Special Revenue	Debt Service	Capital Projects	Permenant Funds Cemetery Care	Total Nonmajor Governmental Funds
Revenues:					
Taxes	\$ 726,023	\$ 931,732	\$ -	\$ -	\$ 1,657,755
Licenses and Permits	307,356	-	-	-	307,356
Intergovernmental	619,813	-	-	-	619,813
Charges for Services	255,910	-	-	12,187	268,097
Interest and Rent	4,680	426,008	2,095	3,126	435,909
Other	70,024	-	-	-	70,024
Total Revenues	<u>1,983,806</u>	<u>1,357,740</u>	<u>2,095</u>	<u>15,313</u>	<u>3,358,954</u>
Expenditures:					
General Government	8	-	-	-	8
Public Safety	346,100	-	-	-	346,100
Public Works	1,631,525	-	-	-	1,631,525
Recreation and Cultural	20,677	-	-	-	20,677
Debt Service:					
Principal	58,233	1,210,000	-	-	1,268,233
Interest and Other Charges	17,275	390,077	-	-	407,352
Capital Outlay	63,551	-	134,211	-	197,762
Total Expenditures	<u>2,137,369</u>	<u>1,600,077</u>	<u>134,211</u>	<u>-</u>	<u>3,871,657</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(153,563)</u>	<u>(242,337)</u>	<u>(132,116)</u>	<u>15,313</u>	<u>(512,703)</u>
Other Financing Sources (Uses):					
Operating Transfers In	213,190	281,900	42,571	-	537,661
Operating Transfers Out	(340,750)	-	-	(3,126)	(343,876)
Total Other Financing Sources (Uses)	<u>(127,560)</u>	<u>281,900</u>	<u>42,571</u>	<u>(3,126)</u>	<u>193,785</u>
Net Change in Fund Balances	(281,123)	39,563	(89,545)	12,187	(318,918)
Fund Balance, July 1	<u>1,532,472</u>	<u>38,508</u>	<u>186,239</u>	<u>383,566</u>	<u>2,140,785</u>
Fund Balance, June 30	<u>\$ 1,251,349</u>	<u>\$ 78,071</u>	<u>\$ 96,694</u>	<u>\$ 395,753</u>	<u>\$ 1,821,867</u>

City of Plymouth
Non Major Special Revenue Funds
Combining Balance Sheet
June 30, 2004

	Major Street	Local Street	Solid Waste	Budget Stabilization	Public Improvement	Parking
<u>ASSETS</u>						
Cash and Cash Equivalents	\$ 21,894	\$ 13,863	\$ 125,700	\$ 550,619	\$ 240,425	\$ 178,193
Accounts Receivable	-	-	415	-	100	-
Due From Other Governmental Units	63,594	25,741	-	-	-	-
Due From Other Funds	67,381	-	-	-	-	-
Inventory	20,260	18,053	14,034	-	-	-
Prepaid Expenditures	-	-	-	-	-	-
Total Assets	\$ <u>173,129</u>	\$ <u>57,657</u>	\$ <u>140,149</u>	\$ <u>550,619</u>	\$ <u>240,525</u>	\$ <u>178,193</u>
<u>LIABILITIES AND FUND BALANCE</u>						
Liabilities:						
Accounts Payable	\$ 4,323	\$ 14,295	\$ 57,494	\$ -	\$ -	\$ 13,858
Due to Other Funds	-	25,000	-	619	-	-
Total Liabilities	4,323	39,295	57,494	619	-	13,858
Fund Balance (Deficit):						
Unreserved:						
Undesignated	<u>168,806</u>	<u>18,362</u>	<u>82,655</u>	<u>550,000</u>	<u>240,525</u>	<u>164,335</u>
Total Liabilities and Fund Balance	\$ <u>173,129</u>	\$ <u>57,657</u>	\$ <u>140,149</u>	\$ <u>550,619</u>	\$ <u>240,525</u>	\$ <u>178,193</u>

	Neighborhood Services	Drug Enforcement	Building	Total
\$	12,782	\$ 5,006	\$ 30,336	\$ 1,178,818
	11,918	-	-	12,433
	8,479	-	-	97,814
	-	-	-	67,381
	-	-	-	52,347
	-	-	192	192
\$	<u>33,179</u>	<u>5,006</u>	<u>30,528</u>	<u>1,408,985</u>

\$	473	\$ -	\$ 41,574	\$ 132,017
	-	-	-	25,619
	473	-	41,574	157,636
	<u>32,706</u>	<u>5,006</u>	<u>(11,046)</u>	<u>1,251,349</u>
\$	<u>33,179</u>	<u>5,006</u>	<u>30,528</u>	<u>1,408,985</u>

City of Plymouth
Non Major Special Revenue Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2004

	Major Street	Local Street	Solid Waste	Budget Stabilization	Public Improvement	Parking
<u>Revenues:</u>						
Taxes	\$ -	\$ -	\$ 726,023	\$ -	\$ -	\$ -
Licenses and Permits	-	-	-	-	-	-
Intergovernmental	374,447	151,462	-	-	-	-
Charges for Services	-	-	211,872	-	-	-
Interest and Rent	482	166	1,951	-	893	956
Other	-	13,700	2,760	-	51,124	-
Total Revenues	374,929	165,328	942,606	-	52,017	956
<u>Expenditures:</u>						
General Government	-	-	-	-	-	-
Public Safety	-	-	-	-	-	-
Public Works	251,822	347,352	866,104	-	-	13,269
Recreation and Cultural	-	-	-	-	-	-
Debt Service:						
Principal	-	-	58,233	-	-	-
Interest and Other Charges	-	-	17,275	-	-	-
Capital Outlay	-	-	-	-	-	59,582
Total Expenditures	251,822	347,352	941,612	-	-	72,851
Excess (Deficiency) of Revenues Over Expenditures	123,107	(182,024)	994	-	52,017	(71,895)
<u>Other Financing Sources (Uses):</u>						
Operating Transfers In	11,000	154,490	-	-	-	-
Operating Transfers Out	(187,720)	(84,660)	(6,280)	-	(60,000)	-
Total Other Financing Sources (Uses)	(176,720)	69,830	(6,280)	-	(60,000)	-
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(53,613)	(112,194)	(5,286)	-	(7,983)	(71,895)
Fund Balance (Deficit), July 1	222,419	130,556	87,941	550,000	248,508	236,230
Fund Balance (Deficit), June 30	\$ 168,806	\$ 18,362	\$ 82,655	\$ 550,000	\$ 240,525	\$ 164,335

<u>Neighborhood Services</u>	<u>Drug Enforcement</u>	<u>Building</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ 726,023
-	-	307,356	307,356
93,904	-	-	619,813
44,038	-	-	255,910
-	29	203	4,680
<u>1,154</u>	<u>1,286</u>	<u>-</u>	<u>70,024</u>
<u>139,096</u>	<u>1,315</u>	<u>307,559</u>	<u>1,983,806</u>
8	-	-	8
-	198	345,902	346,100
152,978	-	-	1,631,525
20,677	-	-	20,677
-	-	-	58,233
-	-	-	17,275
<u>-</u>	<u>3,969</u>	<u>-</u>	<u>63,551</u>
<u>173,663</u>	<u>4,167</u>	<u>345,902</u>	<u>2,137,369</u>
<u>(34,567)</u>	<u>(2,852)</u>	<u>(38,343)</u>	<u>(153,563)</u>
47,700	-	-	213,190
<u>-</u>	<u>-</u>	<u>(2,090)</u>	<u>(340,750)</u>
<u>47,700</u>	<u>-</u>	<u>(2,090)</u>	<u>(127,560)</u>
13,133	(2,852)	(40,433)	(281,123)
<u>19,573</u>	<u>7,858</u>	<u>29,387</u>	<u>1,532,472</u>
\$ <u><u>32,706</u></u>	\$ <u><u>5,006</u></u>	\$ <u><u>(11,046)</u></u>	\$ <u><u>1,251,349</u></u>

City of Plymouth
Non Major Debt Service Funds
Combining Balance Sheet
June 30, 2004

	<u>1997 General Obligation</u>	<u>Motor Vehicle Highway</u>	<u>Municipal Building Authority</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 33,124	\$ 11,596	\$ 6,591
Prepaid Expenditure	<u>-</u>	<u>-</u>	<u>200</u>
Total Assets	\$ <u><u>33,124</u></u>	\$ <u><u>11,596</u></u>	\$ <u><u>6,791</u></u>
<u>LIABILITIES AND FUND BALANCE</u>			
Liabilities:			
Accounts Payable	\$ <u>11,153</u>	\$ <u>-</u>	\$ <u>-</u>
Total Liabilities	<u>11,153</u>	<u>-</u>	<u>-</u>
Fund Balance:			
Reserved for Debt Service	<u>21,971</u>	<u>11,596</u>	<u>6,791</u>
Total Fund Balance	<u>21,971</u>	<u>11,596</u>	<u>6,791</u>
Total Liabilities and Fund Balance	\$ <u><u>33,124</u></u>	\$ <u><u>11,596</u></u>	\$ <u><u>6,791</u></u>

<u>1998 General Obligation</u>	<u>2002 General Obligation</u>	<u>2002 Capital Improvement</u>	<u>2004 General Obligation</u>	<u>Total</u>
\$ 9,753	\$ 25,268	\$ 5,163	\$ 3,934	\$ 95,429
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>200</u>
<u>\$ 9,753</u>	<u>\$ 25,268</u>	<u>\$ 5,163</u>	<u>\$ 3,934</u>	<u>\$ 95,629</u>
\$ <u>1,560</u>	\$ <u>911</u>	\$ <u>-</u>	\$ <u>3,934</u>	\$ <u>17,558</u>
<u>1,560</u>	<u>911</u>	<u>-</u>	<u>3,934</u>	<u>17,558</u>
<u>8,193</u>	<u>24,357</u>	<u>5,163</u>	<u>-</u>	<u>78,071</u>
<u>8,193</u>	<u>24,357</u>	<u>5,163</u>	<u>-</u>	<u>78,071</u>
<u>\$ 9,753</u>	<u>\$ 25,268</u>	<u>\$ 5,163</u>	<u>\$ 3,934</u>	<u>\$ 95,629</u>

City of Plymouth
Non Major Debt Service Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2004

	<u>1997 General Obligation</u>	<u>Motor Vehicle Highway</u>	<u>Municipal Building Authority</u>
<u>Revenues:</u>			
Property Taxes	\$ 641,330	\$ -	\$ -
Interest and Rent	2,513	68	422,225
Total Revenues	<u>643,843</u>	<u>68</u>	<u>422,225</u>
<u>Expenditures:</u>			
Debt Service			
Principal Retirement	515,000	105,000	345,000
Interest, Fiscal Charges & Tax Refund	108,433	72,292	77,282
Total Expenses	<u>623,433</u>	<u>177,292</u>	<u>422,282</u>
Excess (Deficiency) of Revenues Over Expenditures	20,410	(177,224)	(57)
<u>Other Financing Sources:</u>			
Operating Transfers In	<u>-</u>	<u>177,220</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures	20,410	(4)	(57)
Fund Balance, July 1	<u>1,561</u>	<u>11,600</u>	<u>6,848</u>
Fund Balance, June 30	\$ <u><u>21,971</u></u>	\$ <u><u>11,596</u></u>	\$ <u><u>6,791</u></u>

<u>1998 General Obligation</u>	<u>2002 General Obligation</u>	<u>2002 Capital Improvement</u>	<u>2004 General Obligation</u>	<u>Total</u>
\$ 125,038	\$ 165,364	\$ -	\$ -	\$ 931,732
515	649	38	-	426,008
<u>125,553</u>	<u>166,013</u>	<u>38</u>	<u>-</u>	<u>1,357,740</u>
100,000	75,000	70,000	-	1,210,000
18,571	81,534	31,965	-	390,077
<u>118,571</u>	<u>156,534</u>	<u>101,965</u>	<u>-</u>	<u>1,600,077</u>
6,982	9,479	(101,927)	-	(242,337)
<u>-</u>	<u>-</u>	<u>104,680</u>	<u>-</u>	<u>281,900</u>
6,982	9,479	2,753	-	39,563
<u>1,211</u>	<u>14,878</u>	<u>2,410</u>	<u>-</u>	<u>38,508</u>
\$ <u><u>8,193</u></u>	\$ <u><u>24,357</u></u>	\$ <u><u>5,163</u></u>	\$ <u><u>-</u></u>	\$ <u><u>78,071</u></u>

City of Plymouth
Non Major Capital Project Funds
Combining Balance Sheet
June 30, 2004

	<u>2002</u> <u>General</u> <u>Obligation</u>	<u>2002</u> <u>Capital</u> <u>Improvement</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ <u> - </u>	\$ <u> 148,694 </u>	\$ <u> 148,694 </u>
 <u>LIABILITIES AND FUND BALANCE</u>			
Liabilities:			
Accounts Payable	\$ <u> - </u>	\$ <u> 52,000 </u>	\$ <u> 52,000 </u>
Fund Balance :			
Reserved for Construction	<u> - </u>	<u> 96,694 </u>	<u> 96,694 </u>
Total Liabilities and Fund Balance	\$ <u> - </u>	\$ <u> 148,694 </u>	\$ <u> 148,694 </u>

City of Plymouth
Non Major Capital Project Funds
Combining Statement of Revenues, Expenditures
and Changes in Fund Balance
For the Year Ended June 30, 2004

	<u>2002</u> <u>General</u> <u>Obligation</u>	<u>2002</u> <u>Capital</u> <u>Improvement</u>	<u>Total</u>
<u>Revenues:</u>			
Interest Income	\$ 954	\$ 1,141	\$ 2,095
<u>Expenditures:</u>			
Construction	<u>50,549</u>	<u>83,662</u>	<u>134,211</u>
Excess (Deficiency) of Revenues Over Expenditures	(49,595)	(82,521)	(132,116)
<u>Other Financing Sources (Uses):</u>			
Operating Transfers In	<u>42,571</u>	<u>-</u>	<u>42,571</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures	(7,024)	(82,521)	(89,545)
Fund Balance - July 1	<u>7,024</u>	<u>179,215</u>	<u>186,239</u>
Fund Balance - June 30	\$ <u><u>-</u></u>	\$ <u><u>96,694</u></u>	\$ <u><u>96,694</u></u>

POST, SMYTHE, LUTZ AND ZIEL LLP

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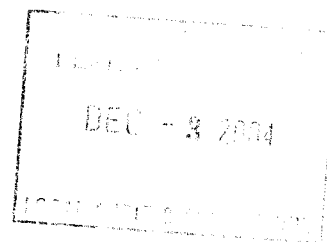
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October 22, 2004

Honorable Mayor and City Commission
City of Plymouth
Plymouth, Michigan



In planning and performing our audit of the City of Plymouth for the year ended June 30, 2004, we have considered the City's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiencies. The memorandum that accompanies this letter summarizes our comments and suggestions in these areas. This letter does not affect our report dated October 22, 2004 on the financial statements of the City of Plymouth.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various City officials, and we will be pleased to discuss them in further detail at your convenience, to perform any additional studies or assist in their implementation.

Respectfully,

Post, Smythe, Lutz & Ziel

POST, SMYTHE, LUTZ and ZIEL LLP
Certified Public Accountants

Fund Balances

At the end of the fiscal year ending June 30, 2004, the City's general fund was left \$312,111 in fund equity (less than 5% of operating revenues). While the City's Budget Stabilization Fund provides additional "rainy day" reserves of \$550,000, the administration and City Commission should determine ways to increase the General Fund unreserved fund balance to 10-20% of revenues to serve as an appropriate "operating reserve". We also recommend a review of the Water and Sewer Enterprise Fund's expected costs and revenues for the next 5 years. This review should be accomplished with the goal of meeting anticipated debt expenditures and building a cash surplus to an appropriate level.

Accounting Issues

The condition of the books and records available for audit were improved over prior year results, as evidenced by a reduced number of adjustments proposed by our firm (21). To further improve the process and to build a reporting system capable of delivering timely and accurate interim financial information on a more regular basis, we recommend the following:

1. Accounts Payable Process: currently most invoices are received by the Accounts Payable Clerk, then forwarded to individual user departments to acknowledge or authorize payment of the particular item(s) or service on the invoice. We recommend that this process be reviewed, and modified to take better advantage of the accounts payable and purchasing software, as well as the local area network capabilities. This would speed approval, reduce staff efforts, and allow the City to properly utilize the accounting software. Currently, accrual based financial information is not available for interim reporting, only at year end, with much manual efforts.
2. Purchasing System: The current system does not appear to accomplish many of the objectives generally established for a formalized system using "purchase orders". Current practices should be reviewed with the goal of "mapping" purchases to an appropriate budgetary line item and serve as an authorization to the Finance Department, to enter the matching invoice into the accounting system.